



Control Number: 51871



Item Number: 35

Addendum StartPage: 0

2021 JUN -3 PM 3:31
FILED
PUBLIC UTILITY COMMISSION
FILING CLERK

P.U.C. PROJECT NO. 51871

**REVIEW OF THE ERCOT
SCARCITY MECHANISM**

§
§
§
§
§
§

**BEFORE THE

PUBLIC UTILITY COMMISSION

OF TEXAS**

**TEXAS ENERGY ASSOCIATION FOR MARKETERS' COMMENTS
ON PROPOSED AMENDMENTS TO §25.505**

Texas Energy Association for Marketers (TEAM)¹ appreciates the opportunity to provide comments on the proposed rule amendments to 16 Texas Administrative Code (TAC) §25.505 that were submitted as a proposal for publication and approved at the Public Utility Commission's (PUC) May 6, 2021, Open Meeting.

TEAM generally supports the proposed amendments to 16 TAC §25.505, but suggests that the proposed cost recovery mechanism addition be clarified to provide clearer direction to ERCOT and disallow the use of market uplift. It is important to recognize that newly adopted legislation will require additional long-term changes to the rule at issue here.² TEAM supports the commission's efforts to make changes here for stability throughout the summer. The new legislation required the commission to complete its review of the system-wide offer cap by December 31, 2021.³

¹ TEAM submits these comments on behalf of the following members of TEAM: Amigo Energy; AP Gas & Electric (TX) LLC d/b/a APG&E; Demand Control 2, LLC; Energy Harbor LLC; Gexa Energy; Iberdrola Solutions LLC; Just Energy; Tara Energy; and Zip Energy.

² Senate Bill 3, 87th Regular Legislative Session, SECTION 18, adding §39.160, passed by both chambers with 2/3 vote, awaiting Governor's signature.

³ Id. at SECTION 35.

25

I. Elimination of Alternative Low System Wide Offer Cap Based on Natural Gas Price Index

TEAM supports the amendments within 16 TAC §25.505(g)(6) that eliminate the provisions that tie the value of the low system-wide offer cap (LCAP) to the natural gas price index. The elimination of the natural gas price index provision promotes better market predictability and stability.

II. Generator Cost-Recovery Mechanism

TEAM is not opposed to adding a provision to 16 TAC §25.505(g) that, similar to the proposed amendment to add 16 TAC §25.505(g)(7), would allow individual resource entities to be reimbursed for proven operating losses incurred during an event when the LCAP is in effect. However, proposed subsection (g)(7) does not provide clear direction to ERCOT as to how the funds to reimburse such resource entities should be collected, and TEAM suggests that the rule be clarified in this regard.

Market uplift should not be the mechanism used to collect funds for reimbursement. Load serving entities cannot hedge for market uplift. Further, load serving entities that were not counterparties to the settlements that led to increased cost above the LCAP should not bear the additional costs of those settlements. Thus, a market uplift mechanism should not be incorporated into the rule, nor should uplift be indirectly allowed through an absence of direction to ERCOT, because uplift would create new market uncertainties and impose unjust burdens on market participants who were uninvolved in the transactions at issue.

Rather, proposed subsection (g)(7) should make clearer that those who were counterparties to the settlements for procurement of real-time energy should bear the additional costs of those settlements, and that the funds collected by ERCOT to reimburse resource entities with operating losses incurred while the LCAP is in effect should be collected from those counterparties. Thus,

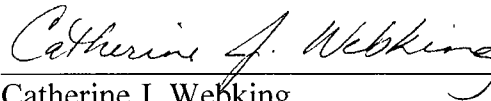
TEAM suggests the following clarifying addition to subsection (g)(7): “ERCOT must reimburse resource entities for any actual marginal costs in excess of real-time revenues, with the funds for reimbursement to be collected from the market participants that procured the real-time energy that was priced above \$2,000.” (addition in double underline).

Further, the resource should only be allowed to receive payments above the \$2,000 cap if that resource is subject to reliability unit commitment (“RUC”) instruction from ERCOT. Without such a limitation, generation would be disincented to manage their fuel cost in a least cost manner.

CONCLUSION

We look forward to further examination of these and other ideas as this rulemaking progresses.

Respectfully submitted,



Catherine J. Webking
State Bar No. 21050055
cwebking@scottdoug.com
Stephanie Kover
State Bar No. 24102042
skover@scottdoug.com

SCOTT DOUGLASS & McCONNICO LLP
303 Colorado Street, Suite 2400
Austin, Texas 78701
512.495.6300
512.495.6399 Fax

**ATTORNEYS FOR TEXAS ENERGY
ASSOCIATION OF MARKETERS**